

CHAPTER 7: TRANSFERS OF PROJECT OWNERSHIP [7 CFR 3560.406]

7.1 INTRODUCTION

During the term of an Agency loan, borrowers may determine that it is in their best interest to transfer a project to another owner. Changes in a borrower's circumstances or changes in the local market are common factors that may lead a borrower to seek a transfer. The Agency may approve a transfer of ownership of the property if the transferee and the project meet certain criteria, and if the transaction is in the best interest of the Agency and the tenants.

In many ways, transfers are similar to approving a new loan. The Agency must ensure that the transferee meets the same eligibility criteria and has the financial capacity and management experience to be a project borrower. In addition, the Agency must verify that the project and the use of the property continue to meet the program's purpose of providing adequate, affordable, decent, safe, and sanitary rental units for very low-, low-, and moderate-income households in rural areas. In order to protect the Agency's security interests in transfer, the Loan Servicer must perform the same underwriting evaluations that are outlined in Chapter 5, Processing Initial Applications – Stage 2 and Chapter 6, Processing Final Applications – Stage 3 of the Loan Origination Handbook.

However, transfers are also different than approving a new loan. In a transfer, the Agency must also consider the impact on the tenants. While transfers offer an opportunity to improve the quality of housing through improved maintenance, rehabilitation, or better management, a transfer may also increase the risk of loan default or poorer housing conditions unless the Agency carefully evaluates the transfer and the transferee.

This chapter presents the requirements regarding project transfers, and Agency procedures for reviewing and approving such actions. For purposes of the chapter, the term "applicant" or "transferee" is used to refer to the entity that wishes to acquire the property and "borrower" or "transferor" refers to the current borrower, or the entity transferring the property.

SECTION 1: OVERVIEW

7.2 AGENCY OBJECTIVE

The fundamental question the Loan Servicer should ask when evaluating a transfer request is:

Will the project and the Agency be better or at least no worse off as a result of the transfer?

In answering this question, the Loan Servicer tries to ensure that the transfer meets two Agency objectives:

1. Improve or maintain the likelihood of loan repayment; and

2. Improve or maintain the quality of housing for the tenants.

It is essential that the Loan Servicer can justify that the transfer meets both of these conditions without incurring unreasonable costs to the Agency before recommending to the State Office that the transfer be approved. If a transfer is inadequate in meeting one of the objectives, the Loan Servicer should work with the transferee and the borrower to resolve issues of concern.

7.3 KEY ANALYTICAL CONCEPTS

In evaluating all the components of a transfer request, the Loan Servicer, in order to determine if the transfer meets the Agency's objectives, should ask and answer several basic questions. Answering these questions will form the analytical foundation for the assessment that would enable the Loan Servicer to identify potential problems or issues so the Agency, the transferee, and the borrower can address these problems or issues before completing the transfer.

Different steps in the transfer process will answer or begin to answer different questions. By the end of the analytical process, the Loan Servicer should be able to answer and document the answers to these questions, which can serve as the basis for making a recommendation to approve a transfer.

A. Eligibility

The same questions and documentation concerning eligibility that a borrower must answer during the Loan Origination process, the transferee, too, must satisfy. These requirements set the basic standards all borrowers and projects must meet to ensure that the Agency provides Government funds in accordance with the program's statutory requirements. The project's eligibility was documented during the loan origination process; however, the Loan Servicer does need to confirm that the project will remain eligible after the transfer.

- Does the transfer meet program eligibility requirements?
- Is the transferee eligible?
- Will the project remain eligible?

B. Feasibility

The questions of feasibility require more in-depth analysis by the Loan Servicer. Feasibility is also a concept used for Loan Origination and is used to gain a better understanding of the transferee and the transferee's plans for the project. The Loan Servicer needs enough information to determine that the transferee and the project can be successful if the transfer is approved.

- Is the transfer feasible?
- Does the transferee demonstrate adequate project management capability?
- Are the property and any proposed repairs in compliance with program requirements?

- Are the financial arrangements, budgets, and rents feasible?

C. Improve or Maintain Risk Levels

These questions build on the concept of feasibility to include a comparison with the existing borrower. Because a transfer involves existing tenants and an existing property, the Agency must go beyond the questions of feasibility to ensure that the tenants and the Agency will not face increased risks due to the transfer.

- Does the transfer improve or do no harm?
- Will the tenants be better or at least no worse off?
- Will the Agency be better or at least no worse off?

7.4 DEFINITION OF TRANSFER

The Agency defines transfers to include projects for which 100 percent of the ownership interest in a borrower entity is sold or transferred to new individuals or a new entity within a 12-month period. Thus, a transfer occurs whenever there is a change in a project's ownership through:

- A change in the legal entity, such that the transferee is considered to be a distinct and separate legal entity from the original borrower, or
- The title is transferred to a new owner, and the new owner assumes all liability for the debt.

Borrowers can request to transfer their project to another separate and distinct entity where the members are involved in both the transferring and the assuming entities, as long as the new entity is legally organized, meets applicable Agency requirements as outlined below and in accordance with paragraph 7.11 E of this chapter.

7.5 CONDITIONS WHEN A TRANSFER MAY OCCUR

To ensure that projects continue to further the objectives of the program and that the Agency's security is projected, Agency consent is required for all project transfers [7 *CFR* 3560.406 (b)].

The Agency will consider transfers only when the transferee documents in their initial written transfer request that at least one of the following conditions are met:

- The transfer is needed to remove a hardship to the current borrower that was caused by circumstances beyond the borrower's control;
- The transfer is a result of a court order requiring the division of security property;
- The transfer is being requested as an alternative to prepayment;

- The transfer will do no harm to the Agency or tenants; or
- Other circumstances exist which make the transfer in the best interest of the Government and the tenants of the project.

If the State Director determines that hardship is present, the transfer may occur without penalty to the borrower. When hardship is not present and the loan is less than five years old, the current borrower is ineligible for further loans for the remainder of the five years, unless a waiver is granted under the Administrator's exception authority. Hardship may result from:

- Illness or death of the borrower;
- Serious financial difficulties beyond a borrower's control which cause the borrower to shut down their business operation; or
- Inability of the borrower to obtain necessary credit on terms that would facilitate refinancing the debt and allow for operation of the project at affordable rents.

7.6 KEY STEPS TO COMPLETING A TRANSFER

The Loan Servicer completes six steps to move through the process of receiving a transfer application, evaluating the offer, and closing the transfer. These steps are listed in Exhibit 7-1.

Exhibit 7-1

Key Steps to Conduct a Transfer

- | |
|--|
| <ol style="list-style-type: none"> 1. Preliminary Assessment 2. Processing Transfer Application and Determining Eligibility 3. Evaluating the Transferee 4. Evaluating the Project 5. Making the Decision 6. Processing and Closing the Transfer |
|--|

The Loan Servicer must complete all of the steps in Exhibit 7-1 for each transfer; however, the Loan Servicer may find that some steps in the process may be completed more quickly for some borrowers than others. When a transfer involves a transferee with a record as a good borrower and there are no compliance violations or other issues associated with the transfer, the Loan Servicer will be able to move through the transfer process more rapidly. The Loan Servicer may determine that specific elements of a transfer may allow for a limited review process, while other components call for more in-depth analysis.

This handbook chapter presents the regular transfer review process and does not present a separate limited transfer review process. The Loan Servicer must demonstrate in the case file that the transfer application addresses the issues of eligibility, feasibility, and risk. These will be documented through the same forms, reports and other documents, but the level of supporting information and review in verifying that these documents meet the Agency's objectives may differ.

SECTION 2: PRELIMINARY ASSESSMENT

Prior to requesting a full transfer application and conducting a regular review, the Agency requires a preliminary assessment of the proposed transfer. The Agency has developed requirements governing the review of initial project transfer requests to:

- Prevent ineligible transfers or applications;
- Identify potential issues or concerns early in the process so they may be adequately addressed;
- Establish a working relationship with the transferee to ensure an efficient review process; and
- Determine whether to pursue a regular or limited transfer review process.

7.7 REQUIRED DOCUMENTATION FOR THE INITIAL TRANSFER REQUEST

Prior to submitting an initial transfer request, either the borrower or transferee will likely contact the Loan Servicer to discuss what documentation is required as part of a transfer. The Loan Servicer should provide the transferee with the list of required documents to submit an initial request, provided in Exhibit 7-2, and should explain that additional information will be required after the preliminary assessment. In addition, the Loan Servicer should explain and provide any documentation necessary to assist the transferee in understanding the Agency's eligibility requirements and the basis on which a transfer application is evaluated.

The initial request to the Agency for a transfer should come from the transferee, although the borrower will probably participate in developing the request by making available relevant information.

Exhibit 7-2

Information/Documents for an Initial Transfer Request

1. A copy of the transfer agreement between the parties, *Form RD 465-5, Transfer of Real Estate Security*, which should include the following elements:
 - Description of the transaction (i.e., purchase or sales agreement); and
 - Description of the new entity structure.
2. Identification of any identity-of-interest between the current borrower and the transferee
3. Description of any other Agency assistance currently or previously received by the transferee, Previous Participation Certification, *HUD Form 2530/Form RD 1944-37, Previous Participation Certification*
4. Financial statement from the parties
5. Organizational documents
6. Identification of any additional funds that will be allocated to the project and the planned purpose for the funds
7. Project operating budgets covering the first year of operation following the transfer or sale
8. Description of the transferee's experience (i.e., resume)

7.8 INITIAL AGENCY DETERMINATION

The Loan Servicer will evaluate the transferee's submission to make a preliminary determination whether the transfer can meet the objectives of the Agency. Upon receipt of the initial request, the Loan Servicer should arrange a meeting with the transferee and borrower to discuss the initial application and the transferee's plans for the property in more detail.

A. Application Meeting

The Loan Servicer should meet with the transferee and the borrower after submission of the initial transfer request. The transferee and borrower may choose to hold this meeting after submission of the formal application, but it is recommended that the meeting be held as early in the transfer process as possible. At this meeting the Loan Servicer will discuss the following issues so that the aspiring owner and management agent can demonstrate that they have the background and experience necessary to successfully manage the property:

- The transferee must have the ability and intention to operate the housing project for the purposes for which the original loan was made;
- The transferee must meet Agency eligibility criteria and the Loan Servicer should raise any eligibility issues based on the initial application;
- Whether other credit is available to the borrower or transferee;
- The requirement that the transferee must show proper organization before transfer of ownership;
- Whether an appraisal is needed;
- Amount of indebtedness to be assumed;
- The transferee's capital needs/development plan;
- Whether the original owner can receive an equity payment;
- The amount of a subsequent loan, if applicable;
- Requirements of existing loan agreements/resolutions and mortgage; and
- Whether the transfer will be on the same terms or new terms.

B. Review Eligibility

Prior to the meeting, the Loan Servicer should review the transferee's submission to identify any potential eligibility issues. The Loan Servicer uses the same eligibility requirements as described in Chapter 5, Processing Initial Applications – Stage 2, of the Loan Origination Handbook. The Loan Servicer should note what additional

documentation is needed to verify eligibility when the transferee submits the full application. If the Loan Servicer notes any potential problems or eligibility issues, such as a change in project use, the Loan Servicer should raise these concerns with the transferees as soon as possible. Any eligibility issues should be addressed before proceeding to a full application.

C. Consider Feasibility

It will not be possible for the Loan Servicer to make a final determination on the questions of feasibility based on the initial request. However, by reviewing the documents submitted and meeting with the transferee and borrower the Loan Servicer can begin to assess the feasibility of a transfer. At this initial stage the Loan Servicer should begin considering the following issues:

- Will the transfer fully satisfy the borrower's existing loan or will there be a shortfall? If there may be a shortfall, what are the borrower's intentions to address any outstanding balance?
- Is the transferee planning to make substantial repairs or undertake rehabilitation of the property and do the borrower's initial plans seem reasonable?
- Does the transfer call for equity distributions to the existing owner?
- Is the transferee going to request a subsequent loan? Does the proposed amount of the subsequent loan seem reasonable and sufficient based on the Loan Servicer's expertise and knowledge of the project?
- Will a writedown be required as part of the transfer? See Chapter 11 for more information on writedowns.
- Are there any other conditions in the transfer agreement or the proposed budget the Agency or the project's tenants may find objectionable?

D. Market Conditions

Depending on the circumstances surrounding the project, the Loan Servicer may want to consider and discuss with the transferee the local market conditions and its potential impact on the project. If the project is in an area experiencing economic changes, the Loan Servicer should discuss the transferee's thoughts and plans for ensuring that the project remains viable or improves its occupancy rates.

E. Project Suitability

The Loan Servicer should refer to Chapter 5 to determine if additional analysis is required to verify that there is still a need for the project and the project is not obsolete. If the Loan Servicer determines to further analyze the project's suitability, a full application from the transferee should not be requested until the suitability analysis indicates that the property should remain a program property.

7.9 INITIAL DETERMINATION

A. Decision to proceed

If the Loan Servicer establishes that there are no eligibility issues identified in the initial application, that the transferee can overcome potential market factors, and that there are no suitability issues, the transferee will be invited to submit a full application for the transfer. If the Loan Servicer identifies issues of concern during the initial review, the Loan Servicer should present these concerns to the transferee and/or borrower. The Loan Servicer should either require the issue to be addressed prior to requesting a full application, or require the issue to be addressed as part of the full application.

B. Regular vs. Limited Review

Based on the preliminary analysis, the Loan Servicer should be able to determine if specific components of the transfer can be completed through a limited review process or if a regular review is needed.

Following are some examples of when a Loan Servicer may be able to use the limited review process:

- For a transferee who is an existing borrower with an approved record-keeping system, the Loan Servicer may only need to have it confirmed that the transferee will use the approved system at the transferred project.
- For a project with no maintenance violations and when the transferee is not proposing any repairs or rehabilitation, the Loan Servicer must still conduct the physical inspection, but there will be no repair and rehabilitation plans to review and approve.
- If the transferee is not requesting a rent increase, the reserve fund is fully funded, and the project has no violations, the Loan Servicer may not need a market study or need to consider whether rents are within CRCU.

C. Inviting the Complete Application

Once the Loan Servicer has determined to invite the transferee to submit a formal application for transfer, the Loan Servicer will send a letter to the transferee informing them of the Agency's decisions. The letter to the transferee must include the following information:

- A list of the information that must be submitted to complete the application from Exhibit 7-3; and
- A request that the information be provided within 60 days and at least 45 days prior to the proposed ownership transfer or sale date.

Exhibit 7-3**Information to Be Submitted to Complete Transfer Application**

1. Credit report
2. Establishment of citizenship with social security number or tax identification number
3. Affirmative Fair Housing Marketing Plan (*HUD Form 935.2*)
4. Management plan
5. Management profile*
6. Management certification*
7. Evidence of insurance coverage*
8. Transferee attorney's opinion regarding legal sufficiency and compliance of lease with State/local laws, ordinances and Agency regulations*
9. Narrative statement of proposed record-keeping system*
10. Assurance agreement
11. Letter from transferee's attorney as to legal sufficiency of organizational documents*
12. Current preliminary title report
13. Option to purchase or other form of purchase agreement (*Form RD 440-34*)
14. Equal Opportunity Agreement (*Form 400-1*)
15. Cost estimate and statement of work (specifications) if rehabilitation required (*Form RD 1924-13, Estimate and Certificate of Actual Cost*)
16. Written description from transferee regarding the physical condition of the property

* When conducting a limited review, these items may already be on file and may only need reverification or updating, as deemed appropriate by the Loan Servicer.

This page intentionally left blank

SECTION 3: PROCESSING TRANSFER APPLICATION AND DETERMINING ELIGIBILITY

7.10 RECEIVING A COMPLETE APPLICATION [7 CFR 3560.406(c)(d)]

In order for the application to be considered complete and therefore eligible for further review, the application must include all of the information listed in Exhibit 7-3 and all the information requested in the letter to the transferees inviting them to submit a formal application. The loan servicer must inform the transferee promptly if the application is incomplete, and give the borrower a 15-day deadline to furnish the missing information. Once the application is complete, the Loan Servicer will conduct the evaluation of the transfer request within 30 days.

7.11 DETERMINE TRANSFEE ELIGIBILITY

The Loan Servicer will evaluate the transferee's eligibility based on the items submitted as part of the initial request and the completed application. The Agency's evaluation will verify that the transferee and the property satisfy the general eligibility, identify-of-interest, legal capability, and insurance requirements. If there are any deficiencies, the transferee and borrower must develop a plan, approved by the Agency, before the Agency will consider approving the transfer.

The Loan Servicer must verify the transferee's and the project's eligibility before the Agency can approve the transfer. The Loan Servicer should refer to the Loan Origination Handbook, Chapter 5, Processing Initial Applications – Stage 2 and Chapter 6, Processing Final Applications – Stage 3 for detailed information on verifying eligibility.

A. Citizenship Requirements

Refer to the Loan Origination Handbook paragraph 5.11.A for a detailed discussion on establishing citizenship.

B. Organizational Requirements

Refer to Loan Origination Handbook paragraph 5.11.B for a detailed discussion on reviewing organizational documents and for specific requirements for limited partnerships, nonprofit organizations, and limited liability corporations.

C. Legal Capability

The Loan Servicer must make a determination of the transferee's legal capability to successfully assume and operate the project for the life of the Agency loan. This determination will be based on the attorney's letter and organizational documents submitted as part of the application. The Loan Servicer should obtain OGC concurrence as needed to make such a determination. If there are any deficiencies, the borrower must take appropriate corrective action.

D. Requirements for Existing Borrowers

If the transferee is an existing borrower, refer to the Loan Origination Handbook, paragraph 5.11.D, for a detailed discussion on further eligibility requirements for existing or previous borrowers. The transferee must:

- Be in compliance with all program requirements, or have been in compliance with an approved workout agreement for a minimum of six months for all other projects owned by members of the assuming entity;
- Have documented evidence that the conditions that resulted in the workout agreement were beyond the borrower's control and were not due to inappropriate actions by the borrower; and
- Be free of any adverse audit or investigation findings conducted by the Office of Inspector General (OIG), with any audit or investigation closed or disposed of to the satisfaction of OIG. If there is an open audit or an investigation is underway, the Loan Servicer will contact OIG to determine if there are potential eligibility issues that may affect the transfer.

E. Identity-of-Interest

During the preliminary assessment the Loan Servicer should have determined if the transfer involves an identity-of-interest. Loan Servicers must not approve identity-of-interest transfers until the State Office can certify that the following conditions are met:

- The account is current;
- The reserve account is on schedule, less any authorized withdrawals;
- The taxes and insurance account is on schedule and all outstanding bills paid;
- The tenant security deposit account is fully funded;
- All unacceptable maintenance items outstanding have been completed;
- Management is satisfactory and there is an approved management plan and management agreement, if applicable; and
- The transferee is in compliance with Equal Opportunity and Fair Housing requirements.

Completion of this step ensures that identity-of-interest transferees receive appropriate Agency assistance in restoring security properties to compliance through transfers.

F. Insurance

The Loan Servicer must review the evidence of insurance coverage submitted in the application to verify that the transferee has obtained all required types of coverage and in the proper amounts. If there is any deficiency, the borrower must be required to take appropriate corrective action.

Completion of this step ensures that the Agency's security properties will be protected from all damage and loss following transfers.

G. Site Control

The transferee's documentation must show control of the land. Control can be in the form of a deed (ownership), an option to purchase from the borrower, or purchase contract. Refer to the Loan Origination Handbook, paragraph 5.11.E, for detailed information on verifying site control.

7.12 PROJECT ELIGIBILITY

The Loan Servicer should refer to the Loan Origination Handbook, paragraphs 5.12 and 6.8 for detailed information on verifying project eligibility. The major components of project eligibility were verified during the loan origination and are not affected by a transfer. However, the Loan Servicer should take the necessary steps to ensure that the project remains an eligible property.

The Loan Servicer must review the transferee's certification that the project will continue to be used to advance program goals and objectives (i.e., providing housing for low- and moderate-income tenants) and if necessary a restrictive-use agreement [7 CFR 3560.406 (g)]. The Loan Servicer must document in writing that the site is residential in character and the property location enhances the value of the asset. If there are any questions or deficiencies, the Loan Servicer must instruct the transferee to provide the needed clarification.

Completion of this step ensures that properties will continue to advance Agency objectives following transfers.

7.13 NONPROGRAM TRANSFERS [7 CFR 3560.406 (l)]

In cases where a transfer cannot be made to an eligible transferee, or the Agency determines the property is no longer suitable for the program, the State Director may approve the transfer. The loan will be classified as nonprogram property and serviced accordingly. The State Director may seek the advice of the National Office as needed. Transfers to ineligible transferees of loans made on or after December 21, 1979 are not authorized without prior National Office consent and authorization.

The following rates, terms and conditions apply to nonprogram transfers:

- Ten percent downpayment of the remaining loan balance;

- Transferee has the ability to pay the Agency debt;
- Balance of indebtedness assumed will be scheduled for repayment for no more than 15 years; and
- The interest rate will be at least one percent higher than the interest rate offered to eligible borrowers.

SECTION 4: EVALUATING THE TRANSFEE

After the Loan Servicer has established that the transferee is eligible, the Loan Servicer must determine if the transferee has the financial and management capacity to successfully operate the project. For a transferee that is an existing borrower with a record of few, if any, compliance violations and missed payments, the eligibility verification process will answer many of the questions about the transferee's capacity. However, for new borrowers, or those with limited experience with the program, the evaluation of the transferee is critical to determine that the transferee has the necessary financial capacity, and management skills and experience to operate a property successfully.

7.14 FINANCIAL REQUIREMENTS

Refer to the Loan Origination Handbook, paragraph 5.11.C, for a detailed discussion on reviewing the transferee's financial capability. The credit report and financial statement are the two primary documents the Loan Servicer uses to determine financial capacity. As part of this financial review the Loan Servicer must verify that:

- The transferee possesses the financial capacity to carry out the obligations required for the loan;
- The transferee is unable to obtain sufficient credit elsewhere at rates that would allow for project rents within the payment ability of eligible residents, if applying for a subsequent loan; and
- The partnership has the financial ability to meet the program's requirements.

7.15 MANAGEMENT CAPACITY

The transferee must demonstrate that they will provide professional management to ensure successful operation of the project. The Loan Servicer should refer to the Loan Origination Handbook, paragraph 6.9.E, for guidance on analyzing overall management capacity, or Chapter 3, Property Management, of the Asset Management Handbook for detailed information on analyzing the management profile, the management plan, and the management certification.

7.16 ANALYSIS

In reviewing and evaluating the transferee's financial capability and property management experience if the Loan Servicer identifies any problems or issues of concern, the Loan Servicer should request the transferee to respond to the problem or concern. The transferee's response must be sufficient for the Loan Servicer to determine that the property will be managed in accordance with program standards, and the transferee can meet all financial responsibilities.

This page intentionally left blank

SECTION 5: EVALUATING THE PROJECT

7.17 PROJECT COMPLIANCE AND FINANCIAL FEASIBILITY

Two key elements of the Loan Servicer's review is to determine that the project is, or will be, in compliance with program requirements and the financial aspects of the transfer are feasible after the transfer. This issue of compliance applies to the physical property and feasibility to the financial components of the project, including budgets, rents, and loan structure. The level of review and key analytical questions the Loan Servicer should focus upon will vary from transfer to transfer and will depend on the existence of compliance issues, necessary repairs, and rehabilitation, or whether a subsequent loan is being requested. After the Loan Servicer understands the existing conditions of the property and the transferee's plans for resolving any issues and financing the project, the Loan Servicer must determine if the project will be feasible and meets the objectives of the program.

7.18 PHYSICAL INSPECTION

The transferee's application should include a detailed plan outlining the transferee's repair and rehabilitation plans and their expected costs. The Loan Servicer will make an on-site inspection of each vacant unit and 10 percent of the remaining units in the project being transferred. When substantial rehabilitation issues are involved, the Loan Servicer will inspect all units. The State Architect and Civil Rights Coordinator are encouraged to participate in on-site inspections. The inspection is to ensure that the transferee's plans are adequate to ensure that the Agency's decent, safe, and sanitary criteria are met. The inspection will also help the Agency assess compliance with applicable civil rights, disability, and environmental requirements. The Loan Servicer will conduct a compliance review if one had not been completed in the past 12 months prior to the physical inspection. Pictures of any deficiencies will be made part of the applicant's file.

A. Finalize Detailed Repair and Rehabilitation Plans and Costs [7 CFR 3560.406 (d)(7)]

The Agency and the transferee must agree to and document all necessary repairs to make the housing decent, safe, and sanitary. If all needed repairs cannot be made prior to the transfer, the funds needed for the repairs will be escrowed and a plan for such repairs developed. The plan will identify each repair, the time frame for completion, an estimate of costs for each item, who will do the work, and any identity-of-interest between the transferee and the parties doing the work or providing materials or services. The Agency must concur with the plan as part of the approval of the transfer.

If the transferee is proposing to rehabilitate either some or all of the units in the project, the Agency and the transferee must agree on the rehabilitation plan, time lines, an estimate of costs for each item, who will do the work, and any identity-of-interest between the transferee and the parties doing the work or providing materials or services. If any tenants will be temporarily relocated during the rehabilitation, the transferee must have a detailed plan, acceptable to the Agency, for providing housing and services to

these tenants. The Agency must concur with the plan as part of the approval of the transfer.

The level of review and documentation of a transferee's repair and rehabilitation plans must be adequate based on the level of repairs and rehabilitation required for the property. The objectives of the analysis are to ensure that the property is in full compliance with program requirements, the plans meet the best interest of the tenants, and the transferee has the financial and management capacity to fulfill the plans.

Improvements or repairs are paid from the sources listed in Exhibit 7-3.

Exhibit 7-3

Funding Sources for Repairs

- Transferee's cash contribution
- Syndication proceeds (as negotiated)
- Reserve amount being transferred (if the amount remaining will be adequate to meet near-term repair and expense needs)
- Transferor funds
- Third-Party funding sources
- Junior liens
- Subordination
- Agency loan funds (as a last resort and only to the extent needed for essential repairs to ensure that the housing is decent, safe, and sanitary)

B. Civil Rights and Disability Compliance

The Civil Rights Coordinator, or designee, will conduct a civil rights and disability compliance review, provided one has not been completed in the past 12 months. This review is conducted during the physical inspection.

The transferee must take action to mitigate any civil rights and disability concerns identified. Any project where civil rights and disability concerns have been identified will not be approved for transfer without review by the Civil Rights Coordinator.

The transfer file must include the civil rights and disability review by the Civil Rights Coordinator. Examples of civil rights deficiencies include, but are not limited to:

- Failure to market units in accordance with the Affirmative Fair Housing Marketing Plan;
- Inconsistent treatment of transferees when screening for occupancy;

- Inconsistent treatment of tenants when assigning units;
- Borrower failure to have documented the self-assessment review of civil rights and disability practices;
- Improper waiting lists and tenant selection routines; and
- Handicapped accessibility concerns.

C. Environmental Review [7 CFR 3560.406 (d)(4)]

1. Environmental Review Under the National Environmental Policy Act (NEPA)

Agency approval of a transfer will normally qualify as a categorical exclusion and will not require preparation of any environmental review document, provided the proposed transfer will not alter the purpose, operation, location, or design of the project as originally approved. If the transfer includes additional financial assistance, the appropriate level of environmental review will be completed in accordance with RD Instruction 1940-G, Environmental Program, and Chapter 3, Section 3, of the Loan Origination Handbook.

2. Due Diligence

When additional financial assistance is involved, due diligence will be performed for a transfer in accordance with the procedures identified in Chapter 3, Section 3, of the Loan Origination Handbook. Normally, due diligence will be completed in conjunction with the appraisal, if one is being done.

3. FEMA Form 81-93, Standard Flood Hazard Determination

FEMA Form 81-93, Standard Flood Hazard Determination, will be completed for all transfers.

4. Correction of Deficiencies and Documentation

Both the NEPA review and the due diligence report, as appropriate, will be made a part of the transfer file. Any outstanding concerns noted in either document must be resolved prior to approval of the requested action. The State Environmental Coordinator should be consulted for further evaluation and guidance on any such problems.

7.19 FINANCIAL FEASIBILITY

A. Budget/Reasonable Rents [7 CFR 3560.406 (d)(2)]

The Loan Servicer must review the budget submitted by the transferee to determine whether the budget provides for reasonable rents that the persons eligible for the units in question can afford. The submission from the transferee should include information on

market rents for comparable units in the area, if the transferee is proposing a rent increase. The rent must be under the CRCU as determined by the Agency in accordance with Chapter 4, Financial Management, of the Asset Management Handbook.

The Loan Servicer should be particularly diligent in analyzing the budget and proposed rents when the transferee will also receive a subsequent loan, other third-party financing, or there are significant repairs or rehabilitation plans. The Loan Servicer must consider both the short-term impact of whether the transferee can make loan payments immediately following the transfer, and the long-term feasibility of the budget and rents to allow for a successful project. If there is any deficiency in the budget or rent structure, the transferee must take appropriate corrective action.

In addition, the Loan Servicer should review the budget to determine if the project life-cycle costs and reserve levels are adequate to allow for the necessary maintenance of the property over the remaining life of the project. If there are any deficiencies, the borrower must take appropriate corrective action.

B. Loan Structure

The Loan Servicer and the transferee should agree on the structure of the transferee's loan and take the necessary steps to ensure a smooth closing process.

1. New Term or Same Terms [7 CFR 3560.406 (j)]

Loan Servicers review the account to determine which type of transfer needs to occur. The Agency generally completes transfers on new terms. Even if the transferee is just “stepping into the shoes” of the borrower, in most cases the Agency will change the amortization period from 50 to 30 years and this will require the transfer to be completed on new terms. Before making a recommendation on the transfer, the Loan Servicer should determine if the transfer will be on new terms or the same terms and address any issues or obstacles that this may present.

2. Subsequent loan [7 CFR 3560.406 (h)]

If the transferee is requesting a subsequent loan, the Loan Servicer should refer to the Loan Origination Handbook, Chapter 11, Subsequent Loans, to ensure that the transferee's application is complete and being processed. The Loan Servicer should verify:

- The subsequent loan process will be completed to coincide with the transfer closing to ensure a smooth closing process, and
- The subsequent loan and its impact are accurately reflected in the transferee's budget and repair and rehabilitation plans.

3. Closing the Existing Loan

The Loan Servicer and the existing borrower must agree on the close-out of the existing loan before making a recommendation on the transfer. This is particularly important if the transfer will result in a loan shortfall or the borrower is requesting an equity payment. The Loan Servicer should ensure that the agreed-upon resolution of a shortfall maximizes the borrower's repayment ability and avoids or minimizes loss to the Government, unless it is in the Agency's best interest to accept an option that is less than the lowest-cost option. The Loan Servicer should ensure that the necessary actions to resolve any issues with the existing borrower are completed, or far enough along in the process, to allow for the completion of the transfer. The Loan Servicer should:

- Determine if the transfer will result in a shortfall on the existing loan. If a writedown is needed, see Chapter 11 for more information.
- Initiate the debt settlement process, in accordance with Chapter 12, if appropriate.
- Determine if the Agency should pursue legal remedies against the borrower.

For equity payments, the Loan Servicer must determine if the borrower is entitled to equity payment [7 CFR 3560.406 (e)(f)]. No compensation, equity, or syndication proceeds will be paid to the transferor by the transferee in connection with any transfer unless all of the following conditions are met:

- The account is current.
- The reserve account is on schedule, less any authorized withdrawals.
- The taxes and insurance account is funded and all outstanding bills paid.
- The security deposit account is fully funded.
- There are no outstanding serious maintenance items uncompleted, or an approved plan of action has been developed.
- Management is satisfactory, and there is an approved management plan and management agreement, if applicable.
- The project has been operated in compliance with Equal Opportunity and Fair Housing requirements.
- No project funds have been misappropriated.
- The account will be classified as an "A" project in the MFIS system or if an acceptable workout agreement has been developed, classified as a "B" project.

7.20 ANALYSIS

In reviewing and evaluating the physical and financial plans for the property, the Loan Servicer must determine that the transferee's plans are feasible. This means the property must be able to meet and maintain the Agency's standards for decent, safe, and sanitary housing and continue to meet all of the program's budget, rent, and other financial requirements. If during the analysis of the property, the Loan Servicer determines the transferee's plans or proposals are not feasible, the transferee must either resolve the issue or agree to a resolution that is approved by the Agency before the transfer can be completed.

SECTION 6: MAKING THE DECISION

7.21 ASSESS THE OVERALL RISK AND THE IMPACT ON THE AGENCY AND TENANTS

In this section the Loan Servicer compiles the evaluation of the eligibility, transferee, and the property and makes a decision to recommend or not to recommend the transfer. Regardless of the level of detail the Loan Servicer went into in evaluating the transfer, the questions and process the Loan Servicer must follow remains the same. Based on the transferee's application, and the Loan Servicer's knowledge of the existing borrower and property condition, the Loan Servicer should ask two questions:

- Is the potential for financial loss to the Agency better or no worse than with the existing borrower?
- Will housing conditions be better or no worse than under the current borrower?

The Loan Servicer must be able to answer, and explain the answers through the transfer application and case file documentation. The Loan Servicer must answer "yes" to both questions in order to recommend the transfer. If the Loan Servicer answers "no" to one or both questions, the Loan Servicer must continue to work with the transferee to resolve any outstanding issues before recommending the transfer. The information the Loan Servicer receives as part of the application and documentation completed during the review process will account for most of the documentation required. However, the Loan servicer should include a narrative statement in the case file explaining how the Loan Servicer reached the conclusion that the transfer meets the objectives of the Agency.

7.22 COMPLETE AND VERIFY APPLICABLE FORMS

Throughout the review process, the Loan Servicer must prepare relevant forms to facilitate the transfer, and ensure that each form is prepared correctly. The forms listed below must be filled out to complete a transfer.

- To transfer multiple housing loans to borrowers assuming the obligations, Loan Servicers must prepare *Form RD 1965-9, Multi-Family Housing Assumption Agreement*. They should give a signed copy of this form to the transferee, keep another signed copy in the Field Office case file, and retain the original form in the Field Office.
- To transfer rental assistance, Loan Servicers need to prepare *Form RD 1944-55, Multi-Family Housing Transfer of Rental Assistance*.
- To record borrower eligibility to receive interest credit or rental assistance, Loan Servicers need to prepare *Form RD 1944-7, Interest Credit or Rental Assistance Agreement*.

When the transfer docket forms are completed, the Loan Servicer must determine that:

- The proposed transfer conforms to the applicable procedural requirements and that determinations of hardship status, eligibility, etc., are clearly documented in the case file.
- Each form is prepared correctly according to the FMI or other appropriate regulations, and
- Items such as names, addresses, and the amount of the indebtedness to be assumed are the same on all forms in which those items appear.

7.23 TRANSMIT THE DOCUMENT TO STATE OFFICE AND OGC FOR REVIEW

When the Loan Servicer determines that all conditions have been met and is ready to recommend approval of the transfer, the Loan Servicer forwards the application docket and the official case file, with comments and recommendation to the State Office.

A. State Office Review

The State Office reviews the documents. If the State Director agrees that all applicable conditions are met, the State Director forwards the docket to OGC for review and for closing instructions. All materials related to the case may be forwarded to the National Office for review and approval authorization if necessary.

B. Decision to Approve the Transfer

If the transfer is approved, OGC will issue closing instructions. The State Office forwards any comments and conditions to the Field Office and gives them authority to issue the Letter of Conditions and Notice of Intent to Meet Conditions to the transferee. The transferee will return the executed Notice of Intent to Meet Conditions within 10 days of receipt. After receipt, the Field Office will schedule a meeting with the transferee to execute the obligating documents.

C. Issue Letter of Conditions/Closing Instructions

Upon a determination that the transfer is allowable and meets all applicable criteria, the Agency will submit to the transferee a letter of conditions and closing instructions from OGC that will put the transfer in to effect.

7.24 AGENCY APPROVAL

If the Agency decides to grant approval to a transfer request, it will proceed directly to the processing steps described in Section 7 of this chapter.

7.25 AGENCY DISAPPROVAL/REJECTION

If the Agency denies a request for a transfer, it must send a formal letter to the transferee indicating the reasons for the Agency's decision and informing the transferee of appeal rights. A copy of this letter must be placed in the case file.

This page intentionally left blank

SECTION 7: PROCESSING AND CLOSING THE TRANSFER

Once the Agency has made the decision to approve a transfer and issue closing instructions, it must undertake a number of steps to implement the transfer. The steps the Agency takes to process and close a transfer on new terms and same terms are similar to each other.

7.26 CONDUCT APPRAISAL OF SECURITY PROPERTY [7 CFR 3560.406 (d)(3)]

An appraisal is often necessary to ensure that the Agency's security requirements will be met under the new loan. The appraisal must be conducted in accordance with Chapter 8 of the Loan Origination Handbook.

When the total value of the loans as part of a transfer is \$100,000 or less, the Agency may determine the value of the security through either:

- an Agency review of monitoring reports; or
- an “as-improved” value-in-use appraisal paid for by the transferee.

When the total value of the loans as part of a transfer is greater than \$100,000, the Agency must determine the value of the security through an “as-improved” value-in-use appraisal obtained by the Agency and conducted in accordance with Chapter 8, Security Requirements, of the Loan Origination Handbook.

7.27 DETERMINE THE APPROPRIATE INTEREST RATE

Transfers on new terms are subject to the following interest rate conditions [7 CFR 3560.406 (i)]:

A. General

The interest rate charged for all loans, except Labor Housing loans, will be the current rate being charged for those loans at the time of loan closing or the interest rate at the time of approval (i.e., the date *Form RD 1944-51, Multi-Family Housing Obligation – Fund Analysis*, is approved), whichever is less.

B. Labor Housing Loans

The interest rate on Labor Housing loans will be the rate specified in the note, generally one percent, except those on farm loans at the exception rate when credit elsewhere is available.

7.28 PROCESSING REQUIREMENTS [7 CFR 3560.406 (k)]

The Agency has established specific requirements for processing project transfers to assure that the obligations and responsibilities of the transferor are formally passed to the

transferee and that the Agency's security interests are protected. Specifically, these requirements ensure that:

- All accounts, property, and subsidy are properly assigned to the transferee;
- A proper loan agreement or loan resolution for the type of transferee is in effect and secured in the mortgage and deed of trust;
- The transferor is released from liability when all Agency security is transferred and the total outstanding debt is assumed; and
- Applicable restrictive-use provisions are attached to the transferred loans.

This section describes the steps the Loan Servicers should take when processing transfers. The basic steps in the process are summarized in Exhibit 7-4 below.

Exhibit 7-4
Basic Steps for Processing Transfers

- | | |
|-----|--|
| 1. | Determine current loan balances for transfer |
| 2. | Verify that the application docket is complete |
| 3. | Review applicable requirements with the transferee |
| 4. | Write the transfer agreement |
| 5. | Obligate the subsequent loan, if applicable |
| 6. | Approve the transfer |
| 7. | Close the transfer |
| 8. | Assign lease to transferee |
| 9. | Shift accounts, funds, and assets to transferee |
| 10. | Provide copies of documents to transferee |
| 11. | Inform new borrower of administrative responsibilities |
| 12. | Schedule a follow-up servicing visit |
| 13. | Address special circumstances as needed |

7.29 PROCEDURES FOR PROCESSING TRANSFERS

A. Determine Current Loan Balances for Transfer

1. Determine the Loan Balance

To determine the current loan balance for transfer, the Loan Servicer must execute *Form RD 1965-9, Multi-Family Housing Assumption Agreement*, according to the FMI. The unpaid principal balance and accrued interest to be shown on *Form RD 1965-9* and *Form RD 1965-10, Information on Assumption of Multiple Housing Loans*, is determined by accessing the project account recorded via field terminal. When this is not possible, the unpaid principal balance, accrued interest, and any other charges should be computed from *Form RD 1951-53, "Multiple Family Housing – Transaction Record."* The Loan Servicer will advise the transferee of:

- The total amount paid as of the closing date which has not been credited to the account;
- The payment required to place the account on schedule as of the previous installment due date;
- Any payment required to bring any monthly or annual payment current; and
- The amount needed to bring the reserve account current less any authorized withdrawals.

The Loan Servicer must base the amount of indebtedness to be assumed on current appraisal regulations. In the case of a transfer with assumption of less than the full debt, the Loan Servicer will attach the promissory note to the transfer agreement and place it in the transferee's file.

2. Adjustments to the Account

Same terms transfers, when the transferor has been converted to PASS, must take place in a current loan status on the date of transfer. Thus, transferors must bring any delinquent principal and interest current prior to the transfer.

Overpayments and advance regular payments made on PASS accounts result in the creation of a "future paid" status account under AMAS. These advance payments must be reversed off and applied to the transferor's principal balance by the Loan Servicer prior to determining the loan balance to be transferred. If the future payments have been made through rental assistance, they must be refunded to the transferor and reapplied in the form of cash on the loan balance.

B. Verify that Application Docket is Complete

1. Basic Components of the Docket

The Loan Servicer should use the Application Checklist, **Attachment 7-3**, to determine if all the items have been submitted by the transferee.

2. Other Supplemental Documentation

Other transfer docket items may include:

- Mortgagee title policy;
- Title evidence or report of lien search;
- Foreclosure notice agreement;
- Original or certified copy of deed to any property;

- Purchase contract or other instrument of ownership;
- Assignment of HUD Section 8 Housing Assistance Payments contract; and
- Information on prior or junior mortgage(s).

Completion of this step ensures that the entire history of the transfer, from initial request through final approval, is adequately and legally documented. Maintenance of this history allows the Agency to hold transferees accountable for compliance with all agreements signed during the transfer process.

C. Review Applicable Requirements with Transferee

After closing instructions have been issued but before the transfer is closed, the Loan Servicer carefully reviews with the transferee the applicable loan program regulations and loan agreement or resolution, if this was not fully completed during the preliminary request meeting in accordance with paragraph 7.8.

D. Write the Transfer Agreement

The Loan Servicer will use *Form RD 465-5, Transfer of Real Estate Security*, to record the agreements between the transferor and transferee. The agreement will show all agreements involved relating to equity, including:

- Disposition of syndication proceeds between the transferee and transferor;
- Method and source of payment;
- Payment of recoverable cost items;
- Disposition of future paid payments
- Assignment of project accounts and leases; and
- Disposition of any equipment purchased with loan or project funds.

The agreement should include any agreements to correct any compliance problems, such as delinquent payments, underfunded reserves, or deferred maintenance. If health and safety, civil rights, disability, or environmental deficiencies were identified in the inspection, the transferee must include an action plan for immediate corrective measures. These agreements should state which party would be responsible for taking corrective action, and indicate the source of funds. Additional information may be attached to *Form RD 465-5, Transfer of Real Estate Security*, as needed to ensure that all agreements are documented.

E. Prepare to Close the Transfer and Obligate the Subsequent Loan, if Applicable

To prepare to close the transfer and obligate any subsequent loan that is part of the transfer, the Loan Servicer must prepare *Forms RD 1944-51, MFH Housing Obligation and Fund Analysis* and *1944-50, MFH Borrower/Project Characteristics*, and either *Forms RD 1933, 1934, 1935, or 1944-3, Loan Agreement*, if changes must be made to the existing loan agreement, or the transfer is a new terms transfer.

The Loan Servicer enters data from *Form RD 1944-50* into AMAS, although they should not enter the data to establish the borrower/project until the project receives final approval. The numbers generated by AMAS are used to identify the transferee when completing the transfer closing documents.

In addition, the Loan Servicer must ensure that the proper type of loan agreement or loan resolution is in effect and secured in the mortgage or deed of trust at the time of transfer. The balance of debt assumed must be scheduled for repayment in two years or less for RHS accounts and usually ten years or less for other types of multiple family loan account. The State Director may approve longer terms.

F. Close the Transfer

The Agency will close the transfer according to the closing instructions received from OGC. After the transfer is approved, the Loan servicer enters the transfer into AMAS and calculates the transfer balance using the Servicing Balance Worksheet. The transferee has now become the new borrower.

To process the closed transfer, the Loan Servicer will prepare *Form RD 1965-10, Information on Assumption of Multiple Housing Loans*, send the original to the Finance Office, and keep a copy in the Field Office case file.

Upon completion of the transfer, there must be no liens, judgments, or other claims against the security being transferred other than those by the Agency and those to which the Agency has previously agreed, unless prior written approval is obtained from the National Office.

The parties to the transfer are responsible for obtaining legal services necessary to accomplish the transfer. A profit or limited profit organization transferee may use any designated attorney or title insurance company to close the transfer according to the applicable closing instructions from OGC. The attorney or title insurance company and their principals or employees must not be members, officers, directors, trustees, stockholders or partners of the transferee or transferor entity. Nonprofit organization transferees may use a designated attorney who is a member of their organization if the cost is reasonable, typical for the area, and is earned.

G. Release of Liability

The Agency may release the borrower from liability from any debts owed to the Agency when the housing project, and all equipment, related facilities, and housing

project financial accounts have been transferred or sold to the transferee and the transferor's outstanding Agency debts have been assumed or satisfied.

If all of a transferor's outstanding Agency debt is not assumed or paid off at the time of the transfer or sale, the Agency will not release a borrower from liability unless the Agency determines that the borrower is unable to pay the remaining debt from assets taken as security through the debt settlement procedures. Refer to Chapter 12 for debt settlement procedures.

H. Assign Leases to Transferee

All leases must be assigned to the transferee no later than the date of closing.

I. Shift Accounts, Funds, and Assets to Transferee

1. General

Following the assignment of leases, responsibility for the accounts, funds, and assets listed below is shifted from the transferor to the transferee:

- Project operating accounts;
- Reserve account;
- Tenant security deposits;
- Supervised bank accounts;
- Any funds remaining in rental assistance contract; and
- Equipment purchased with project funds.

2. Rental Assistance Agreement

When a transferee assumes a rental assistance agreement, the Loan Servicer will complete *Form RD 1944-55, Multi-Family Housing Transfer of Rental Assistance*, and attach it to the new or existing *Form RD 1944-27, Rental Assistance Agreement*. In addition, they will attach a copy of Forms *RD 1944-55* and *1944-50* to *Form RD 1965-10, Information on Assumption of Multi-Family Housing Loans*, and forward them to the Finance Office. If the transferee does not assume an existing agreement, Loan Servicers will suspend the agreement by memorandum to the Finance Office.

3. Other Agreements

If a project operates under the HUD Section 8 program, the Housing Assistance Payment contract must also be assigned to the transferee with prior HUD approval.

When the full amount of the debt is being assumed and an amount has been advanced for insurance premiums or any other purpose, the transfer will not be completed until the Finance Office has charged the advance to the transferor's account.

J. Provide Copies of Documents to Transferee

At a time no later than the transfer closing, the Agency will provide to the transferee copies of the security instruments executed by the transferor or previous borrower to originally secure the loan.

K. Inform Borrower of Administrative Responsibilities

Following completion of a transfer, the transferee has several reporting and other administrative responsibilities that need to be satisfied. The Loan Servicer must inform the transferee of these requirements shortly after the transfer is closed.

1. Reporting

Following the transfer, transferees must submit quarterly project financial reports to the Agency to demonstrate the financial viability of the project.

2. Tenant Certifications

Transferees must ensure that current executed tenant certifications are on file with the Agency or provided for each tenant following the transfer.

3. Identification of All Creditors

At completion of the transfer, transferees must establish that there are no liens, judgments, or other claims against the security being transferred other than those by the Agency and those to which the Agency has previously agreed.

L. Schedule a Follow-up Servicing Visit

The Loan Servicer should schedule a servicing visit within 90 days of closing to verify the transferee's compliance with all applicable program requirements.

M. Address Special Circumstances as Needed

1. Deceased Borrower

When the spouse of a deceased individual borrower is not currently liable for the debt, the Loan Servicer can complete a transfer and assumption to the spouse using *Forms RD 1965-9, Multi-Family Housing Assumption Agreement*, and *1965-10, Information on Assumption of Multi-Family Housing Loans*, on the same rates and terms if the account is current, or on new terms if it is not current. The Loan Servicer should obtain OGC advice and instructions before completing such a transfer.

2. Nonequity Compensation

In some cases, compensation may be paid to the transferor by the transferee when there is no equity in the project, in order to bring about the transfer. The State Director may ask the National Office to authorize nonequity compensation. Transferors will receive no payment for regular equity or equity in conjunction with a prepayment action unless all Agency loans against the project are assumed in full or the payment to the transferor is applied in total against non-Agency prior liens. This situation is most appropriate when it is in the Agency's best interest to get a project away from a "bad" borrower and nonequity compensation is less expensive than liquidating the property.

3. Payments Received while Transfer Pending

During the period that a transfer is pending in the Field Office, the Finance Office will continue to apply to the transferor's account any payments received. Such payments include any down payments made in connection with the transfer for reducing the amount of the debt to be assumed. Any payment on the account not included in the latest transaction record should be deducted from the total amount of principal and interest calculated from the latest information available before the assumption agreement is completed and signed.

- **Identification.** Payments received on the date of the transfer will be remitted as regular payments on *Form RD 1951-55, Collection Log*. The payments will be credited to the transferor's borrower and the project number when the payment should be credited prior to the transfer. The payments will be credited to the transferee's borrower and project number when the payment should be credited after the transfer.
- **Payment.** When a payment is due on the assumption agreement shortly after the transfer is completed, the payment should, if possible, be collected at the time of the transfer and remitted in the transferee's name.

4. Uncompleted Transfer

If for any reason a transfer will not be completed after approval, the Loan Servicer will immediately notify the State Office of the reason.

7.30 MONITORING REHABILITATION WORK

The Agency will monitor all repairs and approve payments using the procedures outlined in Chapter 10, Monitoring Construction, of the Loan Origination Handbook. Completing this step allows the Agency to verify that the property will be restored to a decent, safe, and sanitary condition.

ATTACHMENT 7-A
APPLICATION CHECKLIST